

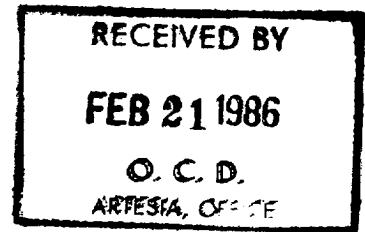
— DONNELLY DRILLING CO., Inc. —

OIL WELL DRILLING CONTRACTORS

BOX 433 88211-0433

ARTESIA, NEW MEXICO

February 21, 1986



Chevron, U.S.A. Inc.
P.O. box 1105
Midland, Texas 79702

Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Gentlemen:

Re: State well No. 1, Unit N
8-18S-28E, E-828, Letters
dated 2-2-86 Commissioner of
Public Lands and 2-10-86
Chevron U.S.A.

In regard to the above lease and letters we have:

Treated this well with a new chemical. Seemingly this has increased production more than I anticipated.

A flowline stopped up casing an overflow which created this mess.

All the dirt work has been done, this lease is now clean. I am going to redue the flowlines.

The tanks have been cleaned on the inside and I will clean up the outside.

The pits have been cleaned and covered.

I am having a gun barrel built to take care of the water.

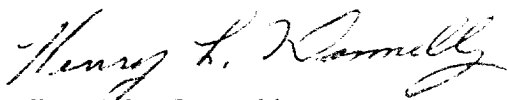
Hope this will satisfy your requirments.

If you need anything further, please contact me at the above address or phone me at 505 746-4323.

Thank you.

Yours very truly,

Donnelly Drilling Company


Henry L. Donnelly

HLD/nk